



Financial Assistance for Exporters: SBA and Ex-Im Bank Programs

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Securing export financing is difficult for most businesses but particularly for small companies. Several federal financial programs exist for U.S. exporters in support of their foreign sales. Programs are often specially designed for small and medium-sized firms. Assistance includes straightforward loans, working capital guarantees, and even risk insurance.

The Export-Import Bank of the United States (Ex-Im Bank) and the U.S. Small Business Administration (SBA) offer financial assistance to U.S. exporters. However, there are several other federal programs for exporters. For instance, the U.S. Department of Agriculture supports U.S. agricultural sales overseas through a variety of programs and services. Also, the Overseas Private Investment Corporation has a loan program for U.S. firms that invest in developing countries.

Where can an exporter find capital to fulfill foreign trade obligations?

The Ex-Im Bank has an Export Working Capital Guarantee (EWCG) program that provides U.S. exporters with working capital to fulfill their foreign trade transactions. The Ex-Im Bank also has a loan guarantee program that enables lenders to make loans to foreign buyers, with the loan proceeds used to pay for specified products from U.S. firms.

How does an exporter protect foreign accounts receivable from governmental and commercial risk?

An exporter can protect his foreign accounts through the Ex-Im Bank's foreign credit insurance program. This allows U.S. firms to insure their foreign accounts to mitigate foreign financial risk. Firms using this program are able to offer overseas buyers credit terms rather than requiring up-front payment, thereby allowing sales to be more flexible.

How does the SBA help exporters?

The SBA has three loan guarantee programs for U.S. exporters that are used by lenders: the Export Working Capital Program, the International Trade Loan program, and ExportExpress.

What does the SBA Export Working Capital Program (EWCP) offer?

This program offers transactional financing to manufacture or purchase goods or services for export. In other words, it offers pre-export financing. The program can also finance transactions when they become accounts receivable (post-export financing). And, this program can support standby letters of credit used for bid or performance bonds. Indirect exporters, such as suppliers to exporters of record, are also eligible.

What are the financing terms of the EWCP?

Loan fees and interest rates are negotiated between the borrower and lender. The EWCP offers a 90-percent guarantee to lenders for loans up to an SBA guarantee maximum of \$1 million. For loans maturing in 12 months or less, the SBA loan guarantee fee is one-quarter of 1 percent of the amount guaranteed. This is a one-time, up-front fee paid by the customer. For longer maturity periods, the guarantee fee is higher. The prime collateral is the assignment of proceeds to the lender of the financed export trade transactions. These proceeds (buyer payments) are used to self-liquidate the single deal loan or multiple deals using a revolving line of credit.

Is the SBA's EWCP the same as Ex-Im Bank's Export Working Capital Guarantee (EWCG) program?

The EWCP and the EWCG share many similarities. Like the EWCG, the SBA's EWCP is a 90-percent guarantee, single-sale or revolving line, can involve indirect exports, and can be used to support standby letters of credit. Unlike the Ex-Im Bank guarantee, the EWCP has no restrictions regarding military or U.S. content and is only bound by the Ex-Im Bank's country limitation schedule (CLS) with regard to exclusion note number seven: "support legally prohibited." The EWCP also can be used for foreign purchase or contract financing.

What does this mean to the lender?

This means the lender can use the SBA's EWCP to enhance its Ex-Im Bank guaranteed line. If the lender is excluding a foreign military agency's procurement for inventory and receivables from the borrowing base, the lender could use the EWCP to include them. If the lender is excluding inventory or receivables from the borrowing base due to U.S. content, the lender could use the EWCP to include them. If the lender is excluding inventory or receivables from the borrowing base due to an Ex-Im Bank CLS requirement, the lender could use the EWCP to include them. If the lender's customer has a foreign purchase order or contract and not enough inventory or receivables under the borrowing base to support that draw, the lender could use the EWCP to finance the inventory and the receivable.

What does this mean to the lender's small business customer?

To the small business customer, it means more availability under the lines and fewer limits on company growth. Many lenders already use the SBA's EWCP for their business banking customers and then switch to Ex-Im Bank services when customers' business expands and internal financing requirements are greater than the SBA's loan guarantee authority. Some lenders already use SBA's EWCP to augment their customers' Ex-Im Bank guaranteed lines.

What are the basic requirements?

The company must meet the SBA size standard, the company must be in business at least 12 months or have proven expertise, and the company's principals must be U.S. citizens or permanent legal residents.

Why would an exporter use the International Trade Loan (ITL) program?

The ITL is a fixed asset-financing program. It is used to acquire, construct, renovate, modernize, improve, or expand production facilities, equipment, or permanent working capital and supplies to be used in the United States that will be used to expand existing export markets or develop new export markets.

What are the ITL financing terms?

For loans up to \$150,000, SBA offers an 85-percent guarantee and for loans between \$150,000 and \$1 million a 75-percent guarantee. The maximum that SBA will guarantee to commercial lenders is \$1.25 million, in combined working capital and fixed asset loans.

Can you explain the SBA ExportExpress loan program?

The ExportExpress program is relatively new. Loan proceeds may be used for most business purposes. For example, loans may provide transaction-specific financing for overseas orders, provide revolving lines of credit for export purposes, and finance export development activities (such as participation in a foreign trade show or the translation of product literature for use in foreign markets). These loans also support standby letters of credit used for bid or performance bonds. This loan program provides term loans to acquire, construct, renovate, modernize, improve, or expand productive facilities or equipment to be used in the United States in the production of goods or services involved in international trade.

What are the financing terms for ExportExpress?

ExportExpress offers an 85-percent loan guarantee to lenders for loans up to \$150,000, and a 75-percent guarantee for loans over \$150,000. The maximum loan amount is \$250,000. ExportExpress is the SBA's fastest-growing and perhaps most user-friendly program for lenders for their smaller loans (\$250,000 or less).

International trade is an exciting activity. Lenders and borrowers can benefit from participating in SBA and Ex-Im Bank loan programs. A successful exporter often boosts the company's reputation at home and gains a competitive edge from exposure to overseas competition.